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ANRE'S ORDER ON REGULATED ENERGY PRICES WILL LOWER STATE REVENUES, REDUCE INVESTMENTS AND DISTORT THE MARKET

Bucharest, 6 February 2019 – Fondul Proprietatea expresses serious concerns about the highly detrimental impact on energy companies, investments in the energy sector, Romania's energy security, and ultimately on end consumers if the National Regulatory Authority for Energy's ("ANRE") Order regarding the approval of the Pricing Methodology ("the Order") for electricity sold by the producers on the basis of regulated contracts is implemented.

The Order, which has been recently adopted by ANRE, will create **severe imbalances in the Romanian energy market**, among which Fondul Proprietatea highlights the following:

- It will lead to an **immediate price increase in the competitive market**, with negative effects on Romania's economy, investor confidence in the predictability of energy policies and the market value of affected companies. Romanian households will be negatively affected as higher electricity prices instead of competitive ones will ultimately be passed through by increasing prices for various products.
- **The ANRE Order does not treat all electricity producers equitably**, placing the burden of subsidizing the consumers benefiting from especially regulated power supply under the responsibility of those power producers with the lowest costs of production (such as Hidroelectrica and Nuclearelectrica, companies controlled by the Romanian State).
- **Establishing the regulated profit rate in an arbitrary way at 5% has no economic basis**, generates financial losses for the affected producers and is not aligned with the text of the Government Emergency Ordinance 114/2018. Thus, **the Order punishes energy producers which have increased their efficiency while creating an unfair advantage for poorly performing companies**. Taking the above factors into consideration, **Fondul Proprietatea strongly recommends using a market reference price to set the price for electricity**, such as, for example, the day-ahead market price.
- It may lead to more electricity imports at prices which cannot be capped, thus further penalizing the Romanian consumers and the Romanian producers.

On the other hand, the Order **gravely affects companies by forcing them to sell on the regulated market**:

- Imposing specific quantities of electricity to be sold by electricity producers to suppliers through regulated contracts, while at the same time setting the level of the regulated prices at below market prices, will result in serious negative consequences for the financial situation of the companies forced to sell electricity through such regulated conditions. **The most negatively affected will be Hidroelectrica and Nuclearelectrica**.
- The maximum quantity of electricity to be sold in the regulated market (up to 65% of the expected available energy for hydro and nuclear power producers) is excessivly high, most likely **causing Hidroelectrica and Nuclearelectrica financial losses from unrealized revenues and profits amounting to hundreds of million lei**. Also, these measures would lead to lower amounts to be received by the Romanian State from these two companies in the form of dividends, as all losses are suported in the end by the shareholders of the two companies.

- Also, imposing on the producers to sell a disproportionately high volume of the expected annual production on the regulated market, while at the same time, they have to meet existing obligations from contracts previously concluded on the competitive market, exposes them to the risk of having to buy electricity from the free market to cover the energy requirements of the regulated market. Thus, **producers would record losses resulting from the purchase of electricity from the competitive market at a higher price than the price they will have to sell in the regulated market**. **This type of practice was one of the reasons that lead to Hidroelectrica's insolvency in 2012, coroborated with other factors that influenced financial status of the company.**
- Reduces the cash available to the companies which could be used to finance investments, thus negatively affecting the long term stability of the energy sector.

Moreover, **the Order establishing regulated energy prices flagrantly violates local and European legislation in force**. Both the Romanian Law 132/2012 on electricity and natural gas and the EC Directive 72/2009 oncerning common rules for the internal market in electricity categorically require that regulated price mechanisms must be: (1) non-discriminatory to all electricity producers; (2) economically justified; and (3) transparent. The Order fails to fullfill any of these three mandatory conditions.

Commenting on ANRE's Order, Johan Meyer, CEO of Franklin Templeton Investments Management Limited UK Bucharest Branch and Portfolio Manager of Fondul Proprietatea said: **"*The proposed measures are extremely shortsighted, aimed at short term benefits at disproportionately high costs. They will lead to lower sustainable profits for affected companies, impacting both taxes and dividends to the state budget and will destroy future investments in the energy sector and jeopardize Romania's energy security. Meanwhile the consumers supposed to be shielded by a regulated price may save very little on their energy bills. ANRE's Order relies on the false premise that economic mechanisms can be controlled by administrative decisions. This is a recipe for disaster and it can only lead to severe losses for energy companies while driving away potential investors in the field*.** *The most concerning evidence in this regard is that, by burdening companies like Hidroelectrica and Nuclearelectrica with regulations which lack any economic justification, ANRE is killing the goose that laid the golden eggs. In the long term, Romanians will not benefit from the Order and the country may be forced to import energy at higher prices remaining outside the Romanian authorities' control.*"

Fondul Proprietatea calls on ANRE to consider the extremely damaging effects the Order would have on the energy sector and recommends thorough consultations with industry stakeholders.

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Notes to Editors

1. About Fondul Proprietatea

Launched in December 2005, Fondul Proprietatea ("the Fund") was established to compensate Romanians whose properties were confiscated by the former communist government. An international tender was announced in December 2008, and Franklin Templeton

Investments officially took over as investment manager and sole administrator of the Fund on 29 September 2010. The Fund is an alternative investment fund and its investment objective is the maximization of returns and per-share capital appreciation via investments mainly in Romanian equities and equity-linked securities. The Fund listed on the Bucharest Stock Exchange on 25 January 2011 and on the Specialist Fund Market of the London Stock Exchange by means of global depositary receipts ("GDRs") on 29 April 2015.

The headquarters of Fondul Proprietatea SA are at 78-80 Buzesti Street, 7th Floor, Bucharest District 1, 011017, Romania. For more information on Fondul Proprietatea, please visit http://www.fondulproprietatea.ro.

2. About Franklin Templeton Investments

Franklin Resources, Inc. [NYSE:BEN] is a global investment management organization operating as Franklin Templeton Investments. Franklin Templeton Investments provides global and domestic investment management to retail, institutional and sovereign wealth clients in over 180 countries. Through specialized teams, the Company has expertise across all asset classes—including equity, fixed income, alternative and custom solutions. The Company's more than 600 investment professionals are supported by its integrated, worldwide team of risk management professionals and global trading desk network. With offices in 35 countries, the California–based company has more than 65 years of investment experience and over $649.9 billion in assets under management as of 31 December 2018. For more information, please visit www.franklintempleton.co.uk.

Franklin Templeton established an office in Bucharest in May 2010, with a team of 32 employees, including 6 locally based investment professionals who are further supported by the over 40 portfolio managers and analysts of the wider Templeton Emerging Markets team.

Starting with 1 April 2016, in view of complying with the EU Directive 2011/61 on alternative investment fund managers, the Fund is managed by Franklin Templeton Investment Services S.À R.L. ("FTIS"), a société à responsabilité limitée qualifying as an alternative

investment fund manager under Article 5 of the Luxembourg Law of 12 July 2013 on alternative investment fund managers, authorized by the Commission de Surveillance du Secteur Financier under no. A00000154/21 November 2013, whose registered office is located at 8A rue Albert Borschette, L-1246 Luxembourg, registered with the Luxembourg Register of Commerce and Companies under number B 36.979, registered with the Romanian Financial Supervisory Authority ("FSA") under number PJM07.1AFIASMDLUX0037/10 March 2016.

This release herein is issued by Franklin Templeton Investment Management Limited ("FTIML"), registered with the FSA under no. PJM01SFIM/400005/14 September 2009, which is authorized and regulated in the UK by the Financial Conduct Authority, registered therein under the number 121779, registered as a foreign equivalent of an investment adviser with the US Securities Exchange Commission. FTIML acts herein as a delegate of FTIS with respect to the portfolio management functions as well as administration services over the Fund.

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